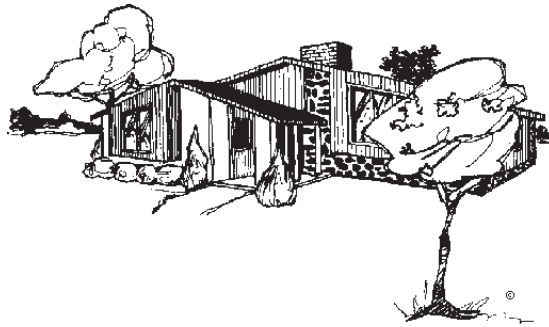


Consumer's Guide to Insurance



**Automobile
Homeowner's
Life
Health**

**Medicare Supplement
Nursing Home
Worker's Compensation
Disability**

**State of Wisconsin
Office of the Commissioner of Insurance
P. O. Box 7873
Madison, WI 53707-7873**

**OCI's World Wide Web Home Page:
<http://oci.wi.gov>**

The mission of the Office of the Commissioner of Insurance . . .

**Leading the way in informing and protecting the public
and responding to their insurance needs.**

If you have a specific complaint about your insurance, refer it first to the insurance company or agent involved. If you do not receive satisfactory answers, contact the Office of the Commissioner of Insurance (OCI).

For information on how to file insurance complaints call:

(608) 266-0103 (In Madison)
or
1-800-236-8517 (Statewide)

Mailing Address

Office of the Commissioner of Insurance
P.O. Box 7873
Madison, WI 53707-7873

Electronic Mail

information@oci.state.wi.us
(please indicate your name, phone number, and e-mail address)

OCI's World Wide Web Home Page

<http://oci.wi.gov>

For your convenience, a copy of OCI's [complaint form](#) is available at the back of this booklet. A copy of OCI's complaint form is also available on OCI's Web site. You can print it, complete it, and return it to the above mailing address.

A list of [OCI's publications](#) is included at the back of this booklet. Copies of OCI publications are also available online on OCI's Web site.

**Deaf, hearing, or speech impaired callers may
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Introduction

Every individual and business in Wisconsin depends upon insurance. Whether it is auto, home, life, or health, insurance plays an important role in people's lives. However, many consumers feel uneasy in the insurance marketplace.

This brochure is designed to tell you about the different types of insurance available, to give you helpful hints about how to buy the coverage you need, and to let you know how to file a complaint with the Insurance Commissioner's Office.

Who Needs Insurance?

If you or your family are at risk for suffering significant financial loss as a result of death, sickness, disability, damage to your property, or injury to others for which you may be responsible, you probably need insurance protection. How much or what kind of insurance you need depends on the answers to several questions. For example, how would you provide for loss of income if you were unable to work? Do others depend on you financially—a spouse, a child, an aging parent? How many others and what ages? What is the value of the property you would have to replace if you were the victim of a fire, a theft, or an accident? What would happen if you were in an automobile accident? How would you pay for catastrophic medical costs?

Insurance needs change throughout your life and you should keep your insurance coverage up-to-date. A periodic review of all of your insurance policies is a good idea.

What are the Basic Kinds of Insurance?



Automobile Insurance

Wisconsin law requires that any person who operates a motor vehicle should be able to show proof of financial responsibility. If you are in an accident and cannot meet your financial responsibility, you invite economic disaster and loss of your license.

Wisconsin Financial Responsibility Law

Wisconsin has a financial responsibility law. It is designed to make sure that any motorist licensed to drive in Wisconsin has insurance or enough money to pay for damages to others that may be caused by a

motor vehicle. These requirements may be met through insurance, a surety bond, or self-insurance. Details are available at the Department of Transportation, Motor Vehicle Division, Hill Farms State Office Building, Madison, Wisconsin 53705, <http://www.dot.state.wi.us>.

If you buy insurance, your policy must provide the following minimum liability coverage:

- **\$25,000 for injury or death of one person;**
- **\$50,000 for injury or death of two or more people; and**
- **\$10,000 for property damage.**

The law also requires uninsured motorist coverage of \$25,000/\$50,000 for bodily injury only.

If you decide to satisfy the requirements of the Wisconsin Financial Responsibility Law by buying auto insurance, your policy must contain three major parts—liability insurance for bodily injury, liability insurance for property damage, and uninsured motorist coverage.

Coverage

There are several parts to an automobile insurance policy. Each has a separate purpose, a separate price, and may be bought in different amounts.

Bodily Injury Liability Insurance

This coverage does not protect you or your car directly. If you cause an accident injuring other people, it protects you against their claims up to the stated amounts for medical expenses, lost wages, pain and suffering and other losses. It will also usually pay if the accident was caused by a member of your family living with you or a person using your auto with your consent.

Property Damage Liability Insurance

Property damage liability insurance pays for any damage up to the stated amount you cause to the property of others such as a crushed fender, broken glass, or a damaged wall or fence. Your insurance will pay for this damage if you were driving your auto or if it was being driven by another person with your consent.

Uninsured Motorist (UM)

This gives personal injury protection to you and the people in your car if you are in an accident caused by an uninsured motorist or a hit-and-run driver. It does not include damage to property. Every policy that

includes bodily injury liability must include this coverage. Wisconsin law requires uninsured motorist coverage of \$25,000/\$50,000 for bodily injury only.

Underinsured Motorist (UIM)

This is an optional coverage that increases the personal injury protection to you and the people in your car up to the amount of coverage you purchase. It becomes effective when the party causing an accident has lower limits than you purchase and the accident costs more. Most underinsured motorist coverages bring the amount payable up to the amount purchased. This coverage typically does not "add" the amount you purchased to the amount available from the person causing the accident. Insurers are required to notify policyholders who do not have UIM coverage of its availability. The minimum limits of UIM coverage, if accepted after notification, are \$50,000 per person and \$100,000 per accident.

Medical Payments Insurance

This coverage provides medical or funeral expenses for you or others injured or killed in an accident while riding or driving in your car. It also covers you and members of your family if hit by a car or injured while riding in another car. Medical payments insurance usually covers only those expenses not covered by health insurance, such as copayments, deductibles, etc. Medical expense coverage is usually sold as a single amount such as \$1,000. Companies must offer this coverage but you do not have to buy it.

Physical Damage Coverage

There are other types of auto insurance that are available in addition to the required coverages. "Collision" and "Comprehensive" coverages, which are also known as physical damage coverage, pay for repair or the actual cash value of your auto regardless of who is at fault.

Comprehensive

Comprehensive (also called other than collision) coverage protects your car against almost all damage except loss caused by collision. This includes fire, theft, missiles, glass breakage, falling objects, explosion, earthquake, civil commotion, or colliding with a wild bird or animal.

Damage from striking a deer is a relatively frequent accident in Wisconsin. It is important to know that most policies cover hitting an animal under comprehensive,

not collision insurance. Comprehensive coverage is based upon the actual cash value of the car and can be written with a deductible.

Collision

Collision coverage protects your car if it collides with an object, including another car, or if it overturns. Your own insurer will pay for such damage even if the collision is your fault. Limits are based on the actual cash value of your car and it is usually written with a deductible of \$100 or more.

In addition, collision premiums are based on the make and model year of your car. You should evaluate the current market value of your car and your ability to afford a similar car should it be destroyed before you purchase this coverage. You may not need this coverage if your car has decreased in value or if you can afford to replace it.

For more information on auto insurance, call the Insurance Commissioner's Office at 1-800-236-8517 and ask for the *Consumer's Guide to Auto Insurance* (http://oci.wi.gov/pub_list/pi-057.htm).

Underwriting Guidelines

Companies may choose the people they wish to insure. However, they may not refuse to insure you on the basis of race, color, creed, national origin, ancestry, or physical condition. If you are turned down by one company, check with others. Companies have different standards. Some companies specialize in "high risk" drivers. They charge higher premiums.

If you are unable to find coverage in the private insurance market, you can be insured through the Wisconsin Automobile Insurance Plan. You can apply through any licensed property and casualty agent. The plan will assign you to a company. Rates in the plan are higher than in the voluntary market. After four years, the company insuring you must accept you for regular coverage if you have had a clean driving record for those four years. For general information contact:

Wisconsin Auto Insurance Plan (WAIP)
20700 Swenson Drive
Waukesha, WI 53186
(262) 796-4599 (Phone)
(262) 796-4400 (Fax)
<http://www.waip.org>

Lender Insurance Requirements

If you finance your car, the lender will require that you have car insurance. The terms of your loan will most likely require you to provide comprehensive and collision insurance. If your policy lapses, the bank will force coverage (obtain a policy) and charge you for it. Forced coverage provides protection to the bank, not you, for their interest in the car and nothing else.

If a bank has forced coverage on your car it is in your best interest to obtain regular insurance immediately.

The forced coverage provides no liability insurance.

These policies are often two to three times more expensive, compared to a regular policy, and the charges for these policies will be added to your loan amount.

Buying Auto Insurance

Comparison shopping for car insurance gives you a choice of agents, features, discounts, and premiums. Premiums are based on a number of factors and may vary as much as \$100 from one company to another for the same policy. Companies take into account factors that affect the chances of your having an accident. The higher the risk; the higher the premium.

Some of the factors that may affect your premiums are the amounts and types of coverage you buy; the age, sex, and marital status of the drivers of the car; where you live; how you use the car; and the type of car you drive.

You may lower your premiums if you avoid accidents and traffic tickets, buy higher deductibles, insure all your cars under one policy, buy moderately priced cars, eliminate collision and/or comprehensive coverage on an old car, cut down on your annual mileage, and ask about discounts.



Homeowner's Insurance

Homeowner's insurance provides protection, whether you own or rent your home, against the

financial loss you may suffer from perils such as fire and windstorm, from theft of your personal property, and from the liability for injury to others or damage to the property of others that you or a member of your family might cause.

The homeowner's insurance policy is a package policy that combines more than one type of insurance coverage

in a single policy. There are four types of coverages that are contained in the homeowner's policy: dwelling and personal property, personal liability, medical payments, and additional living expenses.

Property Damage Coverage

Property damage coverage helps pay for damage to your home and personal property. Other structures such as a detached garage, a tool shed, or any other building on your property are usually covered for a limited amount.

Personal property coverage will pay for personal property including household furniture, clothing, and other personal belongings. The coverage is also limited by the types of loss listed in the policy. The coverage only pays the actual cash value of the item destroyed, unless you purchased replacement cost coverage.

Personal Liability Coverage

Homeowner's policies provide personal liability coverage that applies to nonauto accidents on and off your property if the injury or damage is caused by you, a member of your family, or your pet. The liability coverage in your policy pays both for the cost of defending you and paying for any damages the court rules you must pay up to the policy limits.

Medical Payments Coverage

Medical payments coverage pays if someone outside your family is injured at your home regardless of fault. This includes payment for reasonable medical expenses incurred within one year from the date of loss for a person who is injured in an accident in your home. The coverage does not apply to you and members of your household.

Additional Living Expenses

If it is necessary for you to move into a motel or apartment temporarily because of damage caused by a peril covered by your policy, your insurance company will pay reasonable and necessary additional living expenses. If you move in temporarily with a friend or relative and do not have any extra expenses, you will not be paid any additional living expenses by your insurance company.

There are several types of policies available in Wisconsin. They vary according to the coverage in the policy and the type of dwelling being insured.

Broad Form (HO-2)

The HO-2 policy covers fire or lightning, windstorm or hail, theft, explosion, smoke, damage from vehicles and aircraft, glass breakage, removal of property endangered by peril, vandalism, and malicious mischief, and riot or civil commotion. The HO-2 also covers building collapse; freezing of or accidental discharge of water or steam from within plumbing; heating, air conditioning systems, and domestic appliances; falling objects; weight of ice, snow, or sleet; and rupture or bursting of steam or hot water heating systems.

Special Form (HO-3)

The HO-3 policy provides comprehensive coverage on your home except for damage caused by certain specified perils, such as earthquake and flood and coverage for damage to personal property caused by any of the perils covered by the HO-2 policy.

Modified Coverage Form (HO-8)

The HO-8 is designed to provide package coverage to the owner-occupants of homes that do not meet all the requirements applicable to other homeowner's insurance policies. The HO-8 provides building and personal property coverage slightly more restrictive than that of other homeowner's policies for owner-occupants that include a replacement cost clause. The HO-8 is particularly well-suited for residences that have suffered extensive depreciation.

Your home may not qualify for one of the homeowner's package policies; therefore, a company may offer you limited coverage on your house. This coverage may be Fire and Extended Coverage. Your home and only your home would be covered for damage due to very specific perils or losses.

Tenants, Condominiums, and Mobile Homes

The *Tenant's Form (HO-4)* is specifically designed for renters. It covers your personal property for a number of different types of damage including theft, smoke, vandalism, fire, explosion, falling objects, building collapse, and rupture of steam or hot water systems. Personal liability coverage protects renters the same as it would if you were a homeowner. There is no coverage for the dwelling as that is the owner's responsibility and should not be insured by a tenant.

The *Condominium Homeowner's Form (HO-6)* provides broad form personal property and personal liability coverage designed for condominium unit owners. The

HO-6 policy also provides the unit owner with a selected amount of coverage for alterations, appliances, fixtures, and improvements that are made a part of the building within the condominium unit.

There are also special policies for mobile home owners. These policies resemble a homeowner's insurance policy in many ways but are specifically written for mobile home owners.

Buying the Right Coverage

Before buying homeowner's insurance, you need to understand the difference between "replacement cost" and "actual cash value."

Replacement cost is the amount it would take to replace or rebuild your home or repair damages with materials of similar kind and quality, without deducting for depreciation. Depreciation is the decrease in home or property value since the time it was built or purchased because of age or wear and tear.

Most homeowner's insurance policies contain replacement cost coverage on the home and actual cash value coverage on personal property. In order to qualify for full replacement cost coverage, the building is required to be insured at 80% to 90% of the replacement cost. The amount of replacement cost coverage available is limited to the amount of insurance you choose to buy. The coverage amount is stated on the declarations page of your policy.

If the amount of your insurance coverage is less than 80% of the cost to rebuild your home, your policy may not fully cover your loss. The "loss settlement" section of your policy explains how the settlement is calculated.

Do not confuse replacement cost with market value. Market value is a real estate term that describes what the current value of your home would be if you were to sell it, including the price of the land.

Most homeowner's insurance policies include an **inflation-guard**. This automatically increases the value of your policy as the value of your home increases. Even if you have this, you should check periodically to see that your home is insured to its full value.

Guaranteed replacement cost coverage (also called extended replacement cost) is a more complete coverage for your home. It will pay the full amount needed to replace your home if it is destroyed by a covered peril, even if that amount is more than the policy's coverage limits that are stated on the

declarations page of your policy. To obtain this type of coverage, you typically must meet specific underwriting rules and conditions of the company. This may include increasing the amount of your insurance on a monthly, quarterly, or yearly basis to keep up with the inflation rate. Many companies will not offer this additional protection on older homes. Check with your insurance agent to determine if an additional premium is required and if there are exclusions or conditions that apply.

Actual cash value is the value of your property when it is damaged or destroyed. This is usually figured out by taking the replacement cost and subtracting depreciation. Contents coverage (for such items as furniture, television sets, and appliances) is usually on an actual cash value basis. For example a chair that costs \$500 to replace may have a reasonable "life" of 20 years. If it is destroyed after 10 years, its actual cash value will be much less than \$500, probably about \$250.

Most policies pay for losses to your contents on an actual cash value basis, but a better option is the replacement cost coverage. Although the cost is higher, in most cases, the extra protection may be worth it. Replacement cost coverage is available for an additional premium.

For more information on homeowner's insurance, call the Insurance Commissioner's Office at 1-800-236-8517 and ask for the *Consumer's Guide to Homeowner's Insurance* (http://oci.wi.gov/pub_list/pi-015.htm). A Spanish version of the publication *Consumer's Guide to Homeowner's Insurance* (http://oci.wi.gov/pub_list/pi-115.pdf) is also available.

Wisconsin Insurance Plan

If you are unable to find coverage in the private insurance market, you can be insured through the Wisconsin Insurance Plan (WIP). WIP is property insurance of the last resort. Consider WIP only if you cannot obtain insurance from any other insurance company. You may apply through any licensed property and casualty agent. For more information contact:

Wisconsin Insurance Plan (WIP)
700 West Michigan Street, Suite 350
Milwaukee, WI 53202
(414) 291-5353
<http://www.wisinsplan.com>

Flood Insurance

The homeowner's insurance policy normally excludes flood insurance coverage, and most insurance companies do not even offer it. The best person to help you buy flood insurance is the agent or the insurer from whom you obtain your homeowner's or automobile insurance. Flood insurance may be bought through any licensed property or casualty insurance agent in Wisconsin.

You may, however, be able to purchase flood insurance through the National Flood Insurance Program (NFIP). To qualify for the NFIP program, you must live in a designated community and comply with the government guidelines for flood prevention.

Some insurers actually issue the flood insurance policies, in partnership with the federal government, as a service and convenience for their policyholders. In those instances, the insurer handles the premium billing and collection, policy issuance, and loss adjustment on behalf of the federal government. These insurers are called Write Your Own (WYO) insurers. If your agent or insurer is not in the WYO Program, you may be referred to another agent or insurer involved in the program. Your agent may also order the policy for you directly from the federal government.

For general program information or inquiries about the laws, regulations, or administrative policies related to the NFIP, write:

Regional Offices

National Flood Insurance Program (NFIP)
Bureau & Statistical Agent
1111 E. Warrenville Rd, Ste. 209
Naperville, IL 60563
(630) 577-1407
1-888-FLOOD29 (356-6329)
TDD# 1-800-427-5593
<http://www.fema.gov/nfip>

Federal Emergency Management Agency (FEMA)
Mitigation Division
536 S. Clark St.
Sixth Floor
Chicago, IL 60605
(312) 408-5532
<http://www.fema.gov>

Buying a Home and Your Insurance Needs

There are few things in life more important than buying and protecting your home. Your home is much more than the purchase price. The financial investment of one's savings is important, but so are all the intangibles.

A home is also a major financial commitment. It is important to keep in mind that there are many expenses incurred with home ownership. You will need to budget for insurance premiums, utilities, maintenance and upkeep of your home, monthly loan payments, and property taxes. You should examine the seller's bills to get an idea of the monthly expenses for the home you are purchasing. You should also check the age and condition of appliances, plumbing, roof, structures, and wiring since they might need repair after you purchase.

When a lender offers a mortgage loan on a home, the property is used as collateral. Since a lender has no control over the property and limited influence on the borrower, the lender will require the borrower to purchase several types of insurance to help protect the lender's investment.

For more information on title, homeowner's, flood and private mortgage insurance and other insurance options to consider when buying a home, call the Insurance Commissioner's Office at 1-800-236-8517 and request a copy of the booklet *Buying a Home and Your Insurance Needs* (http://oci.wi.gov/pub_list/pi-100.htm).

Umbrella Liability Insurance

Umbrella policies supplement the liability coverage you already have through your home and auto insurance and provide an extra layer of protection. Normally, umbrella policies kick in after the liability insurance in your homeowner's and auto policy runs out.

Umbrella policies are sold with a variety of limits, commonly \$1 million or \$5 million. Many companies won't sell you an umbrella policy unless your primary insurance coverage is with them. In addition, your insurer may stipulate that your auto or homeowner's liability limits be at least a certain amount, such as \$200,000 to \$300,000. Umbrella policies are sold with a deductible that can range from \$250 to \$1,000.



Life Insurance

When you buy life insurance, you want coverage that fits your needs. You should decide how much you need—for how long—and what you can afford to pay. Keep in mind the major

reason you buy life insurance is to cover the financial effects of unexpected or untimely death. Life insurance also can be one of many ways you plan for the future.

To decide how much life insurance you need, figure out what your dependents would have if you were to die now, and what they would actually need. Your policy should come as close to making up the difference as you can afford.

In figuring this out, think of the income your dependents will need for family living expenses, educational costs, and any other future expenses. Think also of cash needs—for the expenses of a final illness, for paying taxes, mortgages, or other debts.

There are two basic kinds of life insurance: term insurance and cash value insurance. Term insurance generally has lower premiums in the early years, but does not build up cash values that you can use in the future. You may combine cash value life insurance with term insurance for the period of your greatest need for life insurance to replace income.

Term insurance covers you for a term of one or more years. It pays a death benefit only if you die in that term. Term insurance generally offers the largest insurance protection for your premium dollar. It generally does not build up cash value.

You can renew most term insurance policies for one or more terms even if your health has changed. Each time you renew the policy for a new term, premiums may be higher. Ask what the premiums will be if you continue to renew the policy. Also ask if you will lose the right to renew the policy at some age. For a higher premium, some companies will give you the right to keep the policy in force for a guaranteed period at the same price each year. At the end of that time you may need to pass a physical examination to continue coverage, and premiums may increase.

You may be able to trade many term insurance policies for a cash value policy during a conversion period—even if you are not in good health. Premiums for the new policy will be higher than you have been paying for the term insurance.

Cash value life insurance is a type of insurance where the premiums charged are higher at the beginning than they would be for the same amount of term insurance. The part of the premium that is not used for the cost of insurance is invested by the company and builds up a cash value that may be used in a variety of ways. You may borrow against a policy's cash value by taking a policy loan. If you don't pay back the loan and the interest

on it, the amount you owe will be subtracted from the benefits when you die, or from the cash value if you stop paying premiums and take out the remaining cash value. You can also use your cash value to keep insurance protection for a limited time or to buy a reduced amount without having to pay more premiums. You can also use the cash value to increase your income in retirement or to help pay for needs such as a child's tuition without canceling the policy. However, to build up this cash value, you must pay higher premiums in the earlier years of the policy. Cash value life insurance may be one of several types: whole life, universal life, and variable life are all types of cash value insurance.

Whole life insurance covers you for as long as you live if your premiums are paid. You generally pay the same amount in premiums for as long as you live. When you first take out the policy, premiums can be several times higher than you would pay initially for the same amount of term insurance. But they are smaller than the premiums you would eventually pay if you were to keep renewing a term policy until your later years.

Some whole life policies let you pay premiums for a shorter period such as 20 years, or until age 65. Premiums for these policies are higher since the premium payments are made during a shorter period.

Universal life insurance is a kind of flexible policy that lets you vary your premium payments. You can also adjust the face amount of your coverage. Increases may require proof that you qualify for the new death benefit. The premiums you pay (less expense charges) go into a policy account that earns interest. Charges are deducted from the account. If your yearly premium payment plus the interest your account earns is less than the charges, your account value will become lower. If it keeps dropping, eventually your coverage will end. To prevent that, you may need to start making premium payments, or increase your premium payments, or lower your death benefits. Even if there is enough in your account to pay the premiums, continuing to pay premiums yourself means that you build up more cash value.

Variable life insurance is a kind of insurance where the death benefits and cash values depend on the investment performance of one or more separate accounts, which may be invested in mutual funds or other investments allowed under the policy. Be sure to get the prospectus from the company when buying this kind of policy and **Study It Carefully**. You will have higher death benefits and cash value if the underlying investments do well. Your benefits and cash value will be lower or may disappear if the investments you chose

didn't do as well as you expected. You may pay an extra premium for a guaranteed death benefit.

Life Insurance Illustrations

You may be thinking of buying a policy where cash values, death benefits, dividends, or premiums may vary based on events or situations the company does not guarantee (such as interest rates). If so, you may get an illustration from the agent or company that helps explain how the policy works. The illustration will show how the benefits that are not guaranteed will change as interest rates and other factors change. The illustration will show you what the company guarantees. It will also show you what could happen in the future. Remember that nobody knows what will happen in the future. You should be ready to adjust your financial plans if the cash doesn't increase as quickly as shown in the illustration. You will be able to sign a statement that says you understand that some of the numbers in the illustration are not guaranteed.

After you have decided which kind of life insurance is best for you, compare similar policies from different companies to find which one is likely to give you the best value for your money. A simple comparison of the premiums is not enough. There are other things to consider. For example:

- Do premiums or benefits vary from year to year?
- How much do the benefits build up in the policy?
- What part of the premiums or benefits is not guaranteed?
- What is the effect of interest on money paid and received at different times on the policy?

The state of Wisconsin offers low cost life insurance to Wisconsin residents through the State Life Insurance Fund. The Fund offers up to \$10,000 of coverage to those applicants who qualify. For more information on the program, call the State Life insurance Fund at 1-800-562-5558 (Wisconsin residents only). Information on the State Life Insurance Fund is also available on OCI's Web site at <http://oci.wi.gov/slif.htm>.

Annuities

An annuity contract is a written contract between you and a life insurance company. In return for a premium, the company will pay an annuity. An annuity is a series

of payments made at regular intervals. An annuity contract is not a life insurance policy or a savings account or savings certificate. It should not be bought for short-term purposes. It is not risk free or guaranteed safe. If you take your money out after a short time, penalty provisions of many contracts mean that you may get back less than you put in.

Some annuities provide a guaranteed payment period. If the annuity holder dies during this period, a beneficiary receives the income payments for the duration of the guaranteed payment period.

Another type of annuity, called annuity certain, provides income payments to the annuity holder or to a beneficiary for a specified period of time only. The annuity holder may also designate another person to receive the income payments.

Annuities may be either single premium or installment premium. Single premium contracts require you to pay the company only one premium. Installment premium contracts are designed for a series of premiums. Most of these are flexible premium contracts. You pay as much as you wish, whenever you wish, within specified limits.

The value of your annuity consists of the premium you have paid, less charges, plus interest credited. This value is used to calculate the amount of benefits that you will receive.

There are many types and amounts of charges. Some annuities are "front-loaded," which means that most of the costs to the company are charged to you in the beginning. Some are "back-loaded," which means that most of these costs are charged to you later on. Others spread their charges evenly throughout the life of the annuity. Some charges will be fixed by the contract while some may be changed by the company from time to time.

The interest rate used to accumulate contract values may never be less than the guaranteed rate stated in the contract. In practice, the interest rate actually used by a company, usually referred to as the "current" rate, is often higher. The company may change the current rate from time to time, but it cannot be lower than the guaranteed rate. Companies differ substantially in their methods of determining the current rate.

Most annuities allow you to surrender your contract if income payments have not yet started. Upon surrender, the contract terminates. The surrender value is equal to your contract value less the surrender charge, if any. This amount could be less than you paid in.



Health Insurance

If you have ever been sick or injured, you know how important it is to have health coverage. Health insurance can protect you against disastrous health care expenses and lost wages.

The term health insurance refers to a wide variety of insurance policies. These range from policies that cover the costs of doctors and hospitals to those that meet a specific need, such as paying for long-term care. Even disability insurance, which replaces lost income if you can't work because of illness or accident, is considered health insurance, even though it's not specifically for medical expenses.

There are two basic ways to buy health insurance, as an individual or through a group. An individual insurance policy provides coverage to a specific individual or to an individual and their family under a policy issued to that individual. Group health insurance plans are typically offered through employers, although unions, professional associations, and other organizations also offer group plans.

Basic hospital insurance. Most people consider a basic health insurance policy first. These policies often have limits such as the number of hospital days covered, a surgical schedule showing the maximum amount that will be paid for a particular procedure, and specific limits on medical services. Basic policies usually cover in-hospital expenses only.

Surgical expense. This pays for surgical expenses including care before and after an operation. Surgery is defined as any cutting, stitching, and setting of broken bones. Benefits are sometimes paid according to a schedule listed in the policy showing the maximum paid for a particular procedure. This dollar amount is fixed and does not increase as medical costs change.

In-hospital medical expenses. This includes doctors' expenses other than surgical expenses, usually for visits by the doctor while you are hospitalized.

Major Medical Coverage

This is sometimes called comprehensive or catastrophic coverage. Major medical policies usually cover expenses in and out of the hospital. The benefits are not listed by procedure as they are in a basic policy. There may be a limit on total benefits of \$250,000 or higher. The limit may be for a lifetime or for one injury or sickness.

The policy may have a deductible. This is an initial amount you must pay. The deductible may range from \$100 to \$1,000 or more. This amount may be deducted from expenses on a calendar year basis or on a per sickness or injury basis.

The policy may also have a coinsurance provision. Coinsurance is your share or percentage of covered expenses you must pay in addition to the deductible. The most common coinsurance arrangement is for the insurance company to pay 80% and you pay 20% as coinsurance until a maximum out-of-pocket expense is reached. Coinsurance applies to each person and starts over each year.

Health insurance policies are usually described as either indemnity (fee-for-service) or managed care. Under an indemnity health insurance policy, you are free to seek necessary medical care from any physician you wish. The doctor often bills the insurance company directly for the services provided, and the insurance company pays for the items covered by the policy.

The insurance company normally pays for services considered medically necessary and pays at the usual, customary, and reasonable rate for that particular service in that locale or may pay a scheduled amount for each procedure. If the doctor charges more than the insurance company pays under the terms of the policy, the insured is usually responsible for paying the balance.

The cost of health care delivery and competition in the health care market has resulted in the development of new ways of providing and paying for health care services. In Wisconsin, there are several alternative delivery systems, all of which are considered some form of managed care plans, such as health maintenance organizations, limited service health organizations, and preferred provider plans.

Health Maintenance Organizations (HMOs)

An HMO is a health insurance plan that provides comprehensive, prepaid medical care. It differs from a traditional indemnity insurer in that it both pays for and provides the medical care. Persons insured by an HMO plan are referred to as enrollees.

An HMO usually operates on a closed-panel basis. This means that a medical provider who is either employed by or under contract to the HMO **must** provide the care.

HMOs limit care to a specific geographic area. In the past few years many Wisconsin HMOs have been expanding their areas of service. Except for serious

emergencies or the need for urgent care outside the service area, the HMO will probably not pay for care enrollees receive from a provider who is not affiliated with the HMO unless the HMO physician refers an enrollee to that provider.

There are now many HMOs that permit enrollees to choose providers who are not on the panel if the enrollee is willing to pay a larger portion of the cost. A typical "point-of-service" (POS) plan permits an enrollee to make the choice at the time the services are needed. If an enrollee in a point of service plan chooses a non-HMO provider, he or she may have to pay a deductible and coinsurance.

HMOs are regulated as insurance companies by the Office of the Commissioner of Insurance (OCI). To do business in the state, an HMO must meet certain financial requirements and abide by relevant insurance laws. OCI must approve policies before they are sold to assure they comply with state law.

Limited Service Health Organizations (LSHOs)

An LSHO is the same as an HMO except that it provides only a limited range of health care services. For example, a dental LSHO only provides specific dental services.

Like an HMO, an LSHO operates in a certain geographic area, is limited to specific providers, provides care on a prepaid basis, and is regulated by OCI. The LSHO will normally not pay for services received from a provider who is not affiliated with the organization.

Preferred Provider Plans (PPP)

A PPP pays a specific level of benefits if certain providers are used, and a lesser amount if non-PPP providers are utilized.

Like an HMO and LSHO, a PPP operates in a certain geographic area, is limited to specific providers, and is regulated by OCI. A PPP that has a provider agreement with a hospital may not have an agreement with every provider who provides services at the hospital.

Cost of Health Insurance

The following plan features affect how much you pay for your health care:

Premiums. The monthly, quarterly or annual amount you will pay for an insurance policy.

Deductibles. In some plans, you have to meet a deductible. A deductible is a specified dollar amount an individual must pay in each policy period before reimbursement for expenses begins. This means that you pay a certain amount of health care expenses each year before the plan begins to pay for your care. Some plans, such as HMOs or POS plans, may not require that you meet a deductible if you use in-network services.

Coinsurance. Coinsurance is the percentage of covered services and supplies the insurer will pay for after the individual pays the deductible. The individual is responsible for the amount the insurer does not pay. A common coinsurance arrangement is for your insurance company to pay 80% of charges for covered services and for you to pay 20%.

Copayment. A copayment is the fixed dollar amount that the individual is required to pay at the time each covered service takes place. Copayments vary by type of service.

Out-of-pocket maximum. The out-of-pocket maximum is the maximum dollar amount the individual pays for covered services and supplies during a specified period, generally a calendar year. The maximum may be defined to include or exclude the deductible. Once the out-of-pocket maximum is paid, benefits are paid at 100% of the costs incurred after that time.

Lifetime maximum. Some plans also have lifetime maximums which cap how much a plan will pay in your lifetime. Once you reach your lifetime maximum, your plan will no longer pay for your care. Most HMOs do not have lifetime maximums. If you expect to have significant medical expenses, make sure to check the plan's lifetime maximum.

Exclusions and limitations. There are some services that plans won't cover—usually because they are not considered medically necessary. In addition, some services, such as mental health and substance abuse treatment, may be limited. Review each plan's exclusions and limitations. Keep in mind that you have to pay the full cost of care that isn't covered.

The Insurance Commissioner's Office has a list of health maintenance organizations and the counties they serve. You may obtain a copy of the *Consumer's Guide to Managed Care Health Plans in Wisconsin* (http://oci.wi.gov/pub_list/pi-044.htm) by calling 1-800-236-8517.

The Health Insurance Portability and Accountability Act of 1996

New federal and state laws provide important consumer protections for those who have preexisting medical conditions and move from one job to another.

Legislation passed during the 1997 legislative session brings Wisconsin insurance laws into compliance with the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA).

The Commissioner's Office publishes a brochure designed to provide a general overview of the new federal law as well as the changes made to state health insurance law.

To obtain a copy, contact the Insurance Commissioner's Office and ask for a copy of "*The Kassebaum/Kennedy Act*" *A Summary for Consumers and Business Owners - The Health Insurance Portability and Accountability Act of 1996 and 1997 Wisconsin Act 27* (http://oci.wi.gov/pub_list/pi-096.htm).

Information about the federal HIPAA law may be obtained at <http://www.dol.gov/dol/topic/health-plans/index.htm>.

Self-insured Group Health Plans

Employer-provided group health plans are either fully insured or self-insured. Under a fully insured plan the employer purchases coverage from an insurance company. The insurance company assumes the risk to pay all health claims. Fully insured plans are regulated by OCI.

Self-insured plans are set up by employers to pay the health claims of its employees. The employer sets aside funds for the health claims. The employer assumes the risk of providing the benefits and is obligated to pay all the claims.

Sometimes self-insured plans are confused with fully insured plans because employers often hire an insurance company to pay the claims. If you do not know what kind of plan you have, ask your employer or plan administrator.

Self-insured plans are governed by federal laws enforced by the U.S. Department of Labor. States are not allowed to regulate these plans. This means OCI has no authority to investigate complaints involving most self-insured plans. It also means that state laws requiring specific benefits in health care plans do not apply to self-insured plans.

If your plan is self-insured contact the U.S. Department of Labor Regional Office:

U.S. Department of Labor (DOL)
Office of Public Affairs
230 South Dearborn St., Rm. 319
Chicago, IL 60604
(312) 353-6976
<http://www.dol.gov>

Health Insurance Risk-Sharing Plan (HIRSP)

(<http://www.dhfs.state.wi.us/hirsp/index.htm>)

HIRSP offers health insurance to Wisconsin residents who, due to their medical conditions, are unable to find adequate health insurance coverage in the private market.

If you are unable to buy health insurance because of your medical problems, you may apply to HIRSP for coverage. The plan offers major medical and Medicare supplement coverage for Wisconsin residents under age 65. Although the plan is expensive, there are subsidies available for low-income participants. For more information regarding eligibility or benefits, contact HIRSP Customer Service, 6406 Bridge Road, Ste. 18, Madison, WI 53784-0018 or call 1-800-828-4777 or (608) 221-4551.

BadgerCare

(<http://www.dhfs.state.wi.us/badgercare/index.htm>)

BadgerCare is Wisconsin's newest program to assist lower income, working families obtain health insurance at a reasonable price.

To be eligible, you must meet all of the following criteria:

- ◆ You must have children under age 19 living with you.
- ◆ Your income must be within the guideline limits.
- ◆ There is no limit on assets.
- ◆ You must not be covered by health insurance.

BadgerCare provides a comprehensive health benefit package. Premiums are generally zero if your family income is less than 150% of the federal poverty level, but in no event will premiums exceed 3% of your family income.

If you would like more information about BadgerCare, contact your local Human or Social Services

Department, Certifying Tribal Agency (<http://www.dhfs.state.wi.us/Medicaid1/contacts/medcontact1.htm>) or local W-2 office or call 1-800-362-3002 (TTY and translation services available).



Disability Income Insurance

Anyone who works probably needs disability income insurance to help replace income lost because of a long-term injury or illness. It is best to buy this through a group. If group coverage is not available, it is sometimes possible to find good individual coverage. It is much more likely that you will become disabled rather than die as a result of an accident or illness. Therefore, adequate disability income coverage is important. Some points to check are:

- ◆ What is the definition of disability? Does it cover both injury and sickness? Is it for partial or total disability? Is it defined as inability to perform your current occupation or as inability to perform any occupation of which you are capable?
- ◆ Does it cover both injury and sickness? Is it for partial or total disability?
- ◆ When does coverage begin? Is it different for injury or sickness?
- ◆ How long will benefits be paid? What is the weekly or monthly benefit?
- ◆ How much of your income will be replaced?
- ◆ What does it cost?
- ◆ Is it guaranteed renewable?

Disability income policies may specify that income benefits will not be paid to a disabled person if the disability results from certain causes. Check the policy for any exclusions or limitations that might apply. If you have any questions, ask your agent.



Medicare, Medicare Supplement, Medicare Select, Medicare+ Choice, Medicare Cost and Medicaid

Medicare is the health insurance program administered by the federal Centers for Medicare & Medicaid Services (<http://www.cms.gov>) for people 65 and over and for

some people under 65 who are disabled. It pays many health care costs for eligible persons. A booklet entitled *Medicare and You* is available free from any Social Security office. It gives a detailed explanation of Medicare.

Medicare was designed to increase access to health care and reduce its financial burden on older, retired or disabled Americans. Although Medicare covers many health care costs, you still have to pay Medicare's coinsurance and deductibles. If you do not have adequate group insurance and are not eligible for Medicaid (described below), you want to buy an individual Medicare supplement insurance policy, Medicare select policy, Medicare+Choice insurance policy, or a Medicare cost insurance policy.

Medicare Supplement

A Medicare supplement policy is available from indemnity insurers. With an indemnity insurance plan, you are billed for each service you receive and you are permitted to go to any doctor. Either you or your provider will have to submit your claim to the insurer for payment.

All Medicare supplement policies include a basic core of benefits. In addition to the basic benefits, insurers are permitted to offer specified optional benefits. Each of the options that an insurer offers must be priced and sold separately from the basic policy. Insurers are allowed to offer high deductible plans. Benefits will be provided after one has paid a calendar year deductible which changes yearly.

Medicare Select

A Medicare supplement health insurance product called Medicare select is permitted to be sold in Wisconsin. Medicare select, which may be offered by insurance companies and health maintenance organizations (HMOs), is the same as standard Medicare supplement insurance in nearly all aspects.

The only difference between Medicare select and standard Medicare supplement insurance is that Medicare select policies will only pay full supplemental benefits if covered services are obtained through specified health care professionals.

The specified health care professionals, often called "plan providers," are selected by the insurance company or HMO. Each issuer of a Medicare select policy makes arrangements with its own network of plan providers.

If you have a Medicare select policy, each time you receive covered services from a plan provider, Medicare will pay its share of the approved charges and the insurer will pay the full supplemental benefits provided for in the policy. Medicare select insurers must also pay supplemental benefits for emergency health care furnished by providers outside the plan provider network.

In general, Medicare select policies deny payment or pay less than the full benefit if you go outside the network for nonemergency services. Medicare, however, will still pay its share of approved charges if the services you receive outside the network are services covered by Medicare.

All Medicare select policies include a core of benefits. The only separately priced option that may be offered is the Outpatient Prescription Drug Rider.

Medicare+Choice Insurance

Medicare is the federal health insurance program for senior citizens and certain other qualifying people. Regular Medicare includes Part A, which covers hospitalization, skilled nursing facility care, home health and hospice care. Medicare Part B, which is purchased at your option, covers physician services, therapies, diagnostic tests, and outpatient hospital services. You may also purchase a supplemental policy to cover deductibles, coinsurance, and some other Medicare noncovered services.

Medicare+Choice offers people enrolled in Medicare Part A and Part B options for obtaining health services through the Medicare program. It is important to know that you may choose to stay in regular Medicare if you are satisfied with that program, and that all Medicare+Choice plans must provide at least the same benefits as regular Medicare.

Under Medicare+Choice, the Medicare program will, at your direction, purchase a health insurance policy on your behalf. Before Medicare will agree to pay for a policy, the policy must meet minimum state and federal requirements for licensure, benefits offered, access to providers, quality of care, and reporting. Most of the options created by Medicare+Choice are not yet available in Wisconsin.

Medicare Cost Insurance

Medicare cost insurance is another type of special arrangement between the federal Centers for Medicare

& Medicaid (CMS) and certain HMOs. The HMO agrees to provide Medicare benefits. The HMO may provide additional benefits at additional cost.

Medicare cost insurance will only pay full supplemental benefits if covered services are obtained through HMO plan providers. You must live in the plan service area to apply for Medicare cost insurance. The HMO plan providers are selected by the HMO.

In a Medicare cost insurance policy you are not “locked in” to the HMO plan providers for your Medicare benefits. Medicare will still pay its share of approved charges if the services you receive outside the network are services covered by Medicare. If you go to a health care provider who does not belong to your HMO without a referral from your HMO physician, you will pay for all Medicare deductibles and copayments. The HMO will not provide supplemental benefits.

Remember: If you buy a policy from an HMO, you will not have to file claims. Except for out-of-area claims, the HMO will take care of all your paperwork. You also do not have to worry about the charges in excess of Medicare’s approved charge.

The Office of the Commissioner of Insurance publishes several consumer guides to assist seniors in their shopping for insurance. The publications should be used only as a guide. *Medicare Supplement Insurance Approved Policies* (http://oci.wi.gov/pub_list/pi-010.htm) lists all policies available in Wisconsin including benefits and current premiums. *Medicare+Choice - Questions and Answers* (http://oci.wi.gov/pub_list/pi-099.htm) explains new options available to Medicare-eligible persons age 65 and over, and some Medicare-eligible disabled individuals under age 65, who are looking for information about the Medicare+Choice program. *Wisconsin Guide to Health Insurance for People with Medicare* (http://oci.wi.gov/pub_list/pi-002.htm) explains Medicare and supplemental insurance to cover those expenses not paid by Medicare. Copies of the guides are also available by calling the Insurance Commissioner’s Office at 1-800-236-8517.

Medicaid

Medicaid, also known as Medical Assistance, is a government health care program paid for by state and federal governments. You may qualify for Medicaid if you are a citizen of the United States or an “eligible” alien, meet the financial eligibility requirements, and are in one of the following categories:

- Age 65 or older
- Blind or disabled
- Under age 19
- Pregnant
- A caretaker of a deprived child. A deprived child is a child who has one or both parents absent from the home or has both parents in the home but one parent is incapacitated, unemployed, or an offender working without pay. The caretaker must be a relative of the child to be covered by Medicaid.

If you apply for Wisconsin Medicaid and are not eligible because your income is over the limit, you may still be able to receive Medicaid if you have high medical bills. Ask your county Human or Social Services Department or Certifying Tribal Agency (<http://www.dhfs.state.wi.us/Medicaid1/contacts/medcontact1.htm>) about the Medicaid deductible program.

Other Coverage

There are several other types of policies on the market. They are not substitutes for basic or major medical coverage.

Hospital confinement indemnity. This type of policy pays a fixed amount for each day in the hospital for a specified number of days. The amount may range from \$5 to \$100 a day or more. Sometimes benefits are not paid until you have been hospitalized for several days. Because the average hospital stay is about five days, these policies are often not a good buy unless the daily benefit is quite high.

Long-term care policies. Neither Medicare nor medigap insurance policies provide coverage for long-term nursing home stays. There are now several policies available in Wisconsin that provide benefits for certain levels of nursing home care. There are several types of policies on the market which cover long-term care. The Office of the Commissioner of Insurance publishes several consumer guides to assist seniors in their shopping for insurance. The publications should be used only as a guide. *Guide to Long-Term Care* (http://oci.wi.gov/pub_list/pi-047.htm) explains different types of long-term care insurance and the types of policies sold in Wisconsin to cover long-term care expenses. *Long-Term Care Insurance Policies Approved in Wisconsin* (http://oci.wi.gov/pub_list/pi-046.htm) lists individual, group and tax-qualified long-term care insurance policies, nursing home policies, and home health care policies including information regarding benefits and sample premiums. Copies of the guides are also available by calling the Insurance Commissioner’s Office at 1-800-236-8517.

Specified disease policies. These policies cover a specific disease or group of diseases. The most common type is cancer insurance. If you already have comprehensive coverage, this coverage is not necessary.

Any insurer selling cancer insurance must give a copy of *A Shopper's Guide to Cancer Insurance* (http://oci.wi.gov/pub_list/pi-001.htm) to applicants.

Medical Underwriting

Insurance companies decide the type of risks they will accept. This is referred to as "medical underwriting" and is the process by which an insurer selects and classifies risks according to their degree of insurability. Based upon the underwriting results, the insurer can either assess the proper rate or decide to reject the risk.

If you apply for individual health insurance, you will probably be asked about your medical history. If you are turned down by one company, try another. Insurers have different standards.



Worker's Compensation

Before 1911, a worker who was injured in the course of his or her employment could sue his or her employer in a civil or "tort" action, which was the same remedy

available to a person injured under other circumstances. The tort remedy, however, had certain problems. It required the worker to prove that the injury occurred because the employer was negligent and the employer had three important defenses: (1) that the worker was also negligent, (2) that the worker knew of the dangers involved and "assumed the risk," or (3) that the injury occurred because of the negligence of a "fellow employee." Under this system it was very difficult for workers to recover against their employers. If they did win, however, there were no dollar limits on what a jury could award.

In 1911, Wisconsin adopted a Workmen's Compensation Act (Act). The new remedy is essentially a "no-fault" system under which a worker no longer has to prove negligence on the part of the employer, and the employer's three defenses were eliminated. The intent of the law was to require an employer to promptly and accurately compensate a worker for any injury suffered on the job, regardless of the existence of any fault or whose it might be.

In return, the Act limited the amount that a worker could recover. Workers are only entitled to (1) certain wage loss benefits, (2) the cost of medical treatment, and (3) certain disability payments. Under the old system, workers had been able to recover for pain and suffering, loss of enjoyment of life, and other damages that a jury might award. Recovery under worker's compensation is limited to these three areas, no matter how serious the injury.

Benefits Under Worker's Compensation Insurance

Worker's compensation insurance provides distinct benefits for employees who have injuries or illnesses during the course of or arising out of employment:

- 1) Coverage for all reasonable and necessary medical costs.
- 2) Benefits for temporary wage loss (Temporary Partial Disability (TPD) or Temporary Total Disability (TTD) sustained by an employee while recovering from an injury. Eligibility for temporary disability benefits are determined and must be documented by a doctor. Benefits for temporary wage loss due to disability are based on two-thirds of the employee's wage rate up to a specified maximum amount.
- 3) Benefits for permanent disability Permanent Partial Disability (PPD) or Permanent Total Disability (PTD) if the employee does not fully recover from the injury. Permanent disability is awarded for the potential, or actual, loss of earning capacity. The amount of benefit payment for permanent disability depends on the seriousness of the permanent disability.
- 4) Vocational Rehabilitation. For more information on job retraining or placement, call or write the Worker's Compensation Division.
- 5) If a death occurs to an injured employee, death benefits and burial expense will be paid up to specific limits.

If you have any questions regarding worker's compensation insurance benefits paid to an injured employee, or if you have a specific complaint contact:

Wisconsin Worker's Compensation Division
Department of Workforce Development
<http://www.dwd.state.wi.us>

Madison Area Office:
Worker's Compensation Division
201 East Washington Avenue, Room C100
P. O. Box 7901
Madison, WI 53707
(608) 266-1340 (Phone)
(608) 267-0394 (Fax)

Milwaukee Area Office:
Worker's Compensation Division
State Office Building, 3rd Floor
819 North Sixth Street
Milwaukee, WI 53203
(414) 227-4382 (Phone)
(414) 227-4012 (Fax)

Appleton Area Office:
Worker's Compensation Division
1500 North Casaloma Drive, Suite 310
Appleton, WI 54913-8200
(920) 832-5450 (Phone)
(920) 832-5355 (Fax)

Worker's Compensation Insurance Requirements

Most Wisconsin employers are required to have insurance or be licensed self-insurers under the Act. An employer becomes subject to the Act and must carry a worker's compensation insurance policy when:

- 1) The employer usually employs three or more persons full-time or part-time. This employer needs insurance immediately; or
- 2) The employer has one or more full-time or part-time employees and has paid gross combined wages of \$500 or more in any calendar quarter for work done in Wisconsin. This employer must have insurance by the 10th day of the first month of the next calendar quarter; or
- 3) A farmer who employs six or more employees (at one or more locations) on the same day for 20 days (consecutive or nonconsecutive) during a calendar year. A calendar year is January through December. The farmer must have insurance within 10 days after the 20th day of employment. Some relatives of the farmer are not counted as employees.

Wisconsin law requires that a subject employer with employees working in Wisconsin must have a worker's compensation insurance policy with an insurance company licensed to write worker's compensation insurance in Wisconsin.

Each individual employer must provide a worker's compensation insurance policy for its employees. One employer cannot provide worker's compensation insurance coverage for another employer's employees even where or whether or not they voluntarily sign a contract to provide the coverage. Every employer, as described in s. 102.04 (1), Wis. Stat., is required under s. 102.28 (2), Wis. Stat., to have a worker's compensation insurance policy in the name of the employer/owner or in the name of the business entity.

An employer subject to the Act may not withhold or collect any money from employees or any other person, including independent contractors and subcontractors, to pay for worker's compensation insurance. To do this is illegal. Also, no agreement by an employee waiving rights to compensation is valid. [s. 102.16 (3) and (5), Wis. Stat.]

Who is Covered by the Act? Are There Exceptions?

Nearly all employers in Wisconsin are covered. This includes both public and private employers. In fact, when talking about worker's compensation, it is easier to discuss the exceptions. There are a few classes of workers who are covered by federal laws and are not covered by the Act. Employees of the federal government (such as postal workers, employees at a veterans administration hospital, or members of the armed forces) are covered by federal laws. People who work on interstate railroads are covered by the Federal Employers Liability Act. Seamen on navigable waters are covered by the Merchant Marine Act of 1920, and people loading and unloading vessels are covered by the Longshoremen's and Harbor Worker's Compensation Act.

The only employee exceptions to the Act insurance requirement are domestic servants, some farm employees, volunteers, including volunteers of nonprofit organizations that receive money or other things of value totaling not more than \$10 per week, and religious sect members that qualify and are certified for an exemption. Please contact the Worker's Compensation Division, Bureau of Insurance Programs at (608) 266-1340 for a detailed explanation of these exceptions. Virtually all other workers and employers are subject to the Act.

Out-of-State Employers

Out-of-state employers with employees working in Wisconsin must have a worker's compensation policy with an insurance company licensed to write worker's compensation insurance in Wisconsin.

Section 102.28 (2), Wis. Stat., requires that an employer subject to the Act with employees working in Wisconsin must have a worker's compensation insurance policy with an insurance company licensed to write worker's compensation insurance in Wisconsin. The policy must be endorsed to name Wisconsin as a covered state in section 3-A of the policy.

If an out-of-state employer has a worker's compensation insurance policy with an insurance company not licensed to write in Wisconsin, they must obtain a policy from a Wisconsin licensed insurance company to cover their Wisconsin exposure. The insurance company must file the properly endorsed policy with the Wisconsin Compensation Rating Bureau.

To obtain more information, please contact:

The Wisconsin Compensation Rating Bureau (WCRB)
P.O. Box 3080
Milwaukee, WI 53201-3080
(262) 796-4540
<http://www.wcrb.org>

Must Employers Purchase Worker's Compensation Insurance?

The law requires that every employer subject to the Act must provide some way of assuring that it can pay benefits to its workers should they become injured. Most employers in Wisconsin provide this security by purchasing an insurance policy from a private insurance company. The insurance company then reports to the State of Wisconsin Department of Workforce Development (DWD) that it is providing coverage for the employer. Some employers, however, are "self-insured."

Self-Insured Employers

Some employers who are financially sound (and usually quite large) are "self-insured." An employer can only be self-insured if it obtains permission from DWD.

DWD requires employers to demonstrate a very sound financial condition in order to be self-insured.

Penalties for not Providing Worker's Compensation Insurance

There are severe penalties for the failure of an employer to provide worker's compensation coverage. First, if a worker is injured, the employer is personally liable.

Second, the Worker's Compensation Division actively enforces the Act. It has the authority to close down an employer until such time as proper worker's compensation insurance coverage is obtained.

By law, a penalty is imposed on an employer for failing to have worker's compensation insurance coverage where required. The normal penalty is twice the amount of premium not paid during an uninsured time period or \$750, whichever is greater. An employer who has an illegal lapse in worker's compensation insurance of seven consecutive days or less can be subject to a penalty of \$100 for each day they are uninsured up to seven days, provided 1) the employer has not previously been penalized for not having worker's compensation insurance coverage, and 2) no injury that the employer is liable for under s. 102.03, Wis. Stat., occurred during the uninsured period. If the illegal lapse is greater than seven days, the normal penalty assessment will apply.

In addition to the penalty, uninsured employers are personally liable for benefits and do not have the normal exemptions of property from seizure and sale on execution of a judgment. Officers and directors of uninsured corporations are personally liable for benefits owed by the corporation. There are other penalties that may apply depending upon the situation. [s. 102.82 (2) (a), (2) (ag), and (5), Wis. Stat.]

Legal Protections in the Event of Bankruptcy

There are two provisions in the law to protect workers in the event of bankruptcies.

Self-Insurers' Security Fund

The Self-Insurers' Security Fund is funded by assessments, on other self-insured employers. Should a self-insured employer go bankrupt, the Self-Insurers' Security Fund has the responsibility for making payments to injured workers. Should this occur, it is very important that the injured worker give notice of their claim to the Self-Insurers' Security Fund immediately. There is also a guaranty fund which assumes responsibility if an insurance carrier becomes bankrupt.

Wisconsin Insurance Security Fund

Every state has a safety net to protect insurance consumers from financial loss in the rare instance that a company becomes insolvent. This safety net is called a "guaranty fund." The guaranty funds are established

by state law and are composed of licensed companies in the state. They pay the claims of policyholders and other claimants of an insolvent insurance company. The money to pay the claims against the insurance company comes from assessments made against all of the insurance companies that are members of the guaranty fund.

In Wisconsin, the fund is called the Insurance Security Fund (Fund). The Fund is created by state law and is funded by assessments of insurers licensed to do business in Wisconsin. In general, the Fund protects residents for most claims of licensed insurers in liquidation. The Fund should not be relied upon to eliminate all risks of loss to insureds due to insurer insolvency. Some types of policies may not be fully covered and significant delays could occur in settling obligations in cases of liquidation.

Questions about the coverage and limitations of the Fund can be addressed to:

Wisconsin Security Fund
2445 Darwin Rd. #101
Madison, WI 53704
(608) 242-9473

Where can I get more Information About Coverage Under the Act?

Questions often arise concerning the interpretation of the coverage and exclusion requirements of the law. Information and assistance concerning these issues is available from the Wisconsin Worker's Compensation Division, Bureau of Insurance Programs at (608) 266-1340.

Copies of the Worker's Compensation Act of Wisconsin (<http://www.dwd.state.wi.us/wc/legal/default.htm>) are available for purchase. Please call (608) 266-1340 for details.

For more information on worker's compensation insurance, call the Insurance Commissioner's Office at 1-800-236-8517 and ask for the *Consumer's Guide to Worker's Compensation Insurance for Employers* (http://oci.wi.gov/pub_list/pi-065.htm).

Credit Information

Consumer credit reports may be requested by an insurer when writing new or renewal policies for both commercial and personal risks. The insurance companies use credit information as an indicator of the frequency and severity of future claims.

Companies must use credit information in a way that is not unfairly discriminatory. If an insurer rejects your insurance application based on information contained in your credit report, you have the right to review the report information for accuracy, at no charge. You must request a copy of the report directly from the credit agency. Your insurance company will provide you with the credit agency's name, address, and telephone number.

Insurers may use credit information as one of the criteria they consider when underwriting personal lines insurance. However, it is the position of the Insurance Commissioner's Office that insurers should not use credit information, whether they use credit reports or credit scoring mechanisms, as the sole reason to refuse an application, cancel a new insurance policy in its first 60 days of coverage, or nonrenew an existing policy.

For more information on the Fair Credit Reporting Act (<http://www.ftc.gov/bcp/online/edcams/fcra/index.html>) contact the Federal Trade Commission at:

Federal Trade Commission (FTC)
CRC-240
Washington, DC 20580
1-877-FTC-HELP (382-4357)
<http://www.ftc.gov>

Continuation and Conversion

Both state and federal law give certain individuals who would otherwise lose their group health care coverage under an employer or association plan, the right to continue their coverage for a period of time. The two laws are similar in some ways, but also have provisions that are very different. Most employers that have 20 or more employees must comply with the federal law, while most group health insurance policies that provide coverage to Wisconsin residents must comply with the state law. When both laws apply to the group coverage, it is the opinion of the Office of the Commissioner of Insurance that where the federal and state laws differ, the law most favorable to the insured should apply. The state law also gives conversion rights to certain individuals who are covered under individual health insurance policies.

Federal Law (COBRA)

The Consolidated Omnibus Budget Reconciliation Act (COBRA) is a federal law that allows most employees, spouses, and their dependents who lose their health coverage under an employer's group health plan to

continue coverage, at their own expense, for a period of time. This law applies to both insured health plans and self-funded employer-sponsored plans in the private sector and those plans sponsored by state and local governments. However, COBRA does not apply to certain church plans, plans covering less than 20 employees, and plans covering federal employees. Under the federal law, employees who terminate employment for any reason other than gross misconduct, or who lose their eligibility for group coverage because of a reduction in work hours, and the covered spouses and dependents of the employees may continue the group coverage for up to 18 months. A spouse and dependents may continue coverage for up to 36 months if they lose coverage due to the death of the employee, divorce from the employee, loss of dependent status due to age, or due to the employee's eligibility for Medicare. If within the first 60 days of COBRA coverage an individual or dependent is determined to be disabled by Social Security, the disabled individual and other covered family members may continue coverage for up to 29 months.

Wisconsin Law (s. 632.897, Wis. Stat.) Wisconsin's continuation law applies to most group health insurance policies that provide hospital or medical coverage to Wisconsin residents. The law applies to group policies issued to employers of any size. The law does not apply to employer self-funded health plans, or policies that cover only specified diseases or accidental injuries.

Where to go for Help

For questions about Wisconsin law, contact:

Office of the Commissioner of Insurance
P.O. Box 7873
Madison, WI 53707-7873
(608) 266-0103 (In Madison)
1-800-236-8517 (Outside Madison)

For questions about the federal law:

Private employers may contact:
U.S. Department of Labor
Pension and Welfare Benefits Administration
200 Constitution Ave.
Washington, DC 20210-1111
(202) 219-8776
<http://www.dol.gov>

Mandated Benefits

Health insurance policies sold in Wisconsin often include "mandated benefits." These are benefits that an insurer must include in certain types of health insurance policies. Except for HMOs organized as cooperatives under ch. 185, Wis. Stat., HMOs are required to provide the same benefits as traditional insurers. Cooperative HMOs are subject to the mandates regarding chiropractors, optometrists, genetic testing, nurse practitioners, newborns, adopted children, HIV drugs, dentists, temporomandibular (TMJ) disorders, breast reconstruction, and hospital and ambulatory surgery center charges and anesthetics for dental care.

The mandated benefits required by Wisconsin state law include coverage for: professional health care services; adopted children; handicapped children; nervous and mental disorders, alcoholism, and other drug abuse; home health care; skilled nursing home care; kidney disease; mammography; new born infants; coverage for grandchildren born to dependent children under the age of 18 who are covered by the policy; diabetes, lead screening, and maternity coverage for all persons covered under the policy if it provides maternity coverage for anyone, genetic testing, drugs for treatment of HIV infection, TMJ disorders, hospital and ambulatory surgery center charges and anesthetics for dental care, and breast reconstruction.

Every disability insurance policy that is issued or renewed on or after November 1, 2000, and every self-insured health plan of the state or a county, city, town, village or school district, that provides coverage for a dependent of an insured, must provide coverage of appropriate and necessary immunizations, from birth to the age of 6 years, for a dependent who is a child of the insured. The coverage may not be subject to any deductibles, copayments or coinsurance under the policy or plan, except that a managed care plan is prohibited from applying such cost-sharing only with respect to services provided by network providers.

The mandate does not apply to disability insurance policies that provide coverage of only certain specified diseases, policies that cover only hospital and surgical charges, policies offered by a limited service health organization, long-term care policies, and Medicare supplement or Medicare replacement policies. [s. 632.895 (14), Wis. Stat.]

Insurer plans must provide at least the minimum mandated coverage but may provide benefits that are greater than those mandated by law.

Some mandated benefits apply only to group policies. Some apply both to policies sold to individuals and to groups. For more information on mandated benefits, call the Insurance Commissioner's Office at 1-800-236-8517 and request a copy of *Fact Sheet on Mandated Benefits in Health Insurance Policies* (http://oci.wi.gov/pub_list/pi-019.htm).

Terminations, Denials, and Cancellations

Companies may not cancel your policy in the middle of a policy term unless you stop paying premiums, there has been material misrepresentation, there has been a substantial change in the risk assumed except to the extent the company should reasonably have foreseen the change or contemplated the risk; or the policy contract is breached in some other way. They may refuse to renew your policy at renewal time.

If a company is going to refuse to continue covering you, it must mail you a written notice at least 60 days in advance so that you will have time to find other insurance. If the cancellation is because you have not paid premiums on time, only 10 days' notice is necessary. When you are changing companies voluntarily, keep the policy you have until you are sure you have other coverage.

For auto or homeowner's insurance policies, insurers may not refuse coverage to a class of risks solely on the basis of past criminal record, physical disability, past mental disability, age, marital status, sexual preference, moral character, or the location or age of the risk. Insurers may not use these classifications to charge different rates without credible supporting information.

No insurer may cancel or refuse to issue or renew an automobile insurance policy wholly or partially because of one or more of the following characteristics of any person: age, sex, residence, race, color, creed, religion, national origin, ancestry, marital status, or occupation. Some of the classifications may be used by an insurer if its experience supports differences in losses from these classifications.

Insurance Marketing

For the most part, insurance is sold directly through a company or through an agent. Companies that sell

directly maintain their own staff of agents or sell policies through the mail. An independent agent is not employed by any insurance company and usually represents several different companies.

When you first talk to an agent, be sure that he or she is willing and able to explain various policies and other insurance-related matters. An agent should look for ways to get you the most protection at an affordable cost. Make certain that your agent agrees to review your coverage from time to time, advises you about other financial services, and assists you when problems develop.

Many people are interested in selling package products or services to as many people as possible. While there is nothing wrong with low cost, standardized products, they should fit your needs. If you are not convinced that a particular agent understands your needs and will give you the service you want, seek another agent.

Agents and companies differ. Check with friends and relatives for recommendations. Agents and companies are listed alphabetically and by location in the yellow pages of the telephone book.

All companies and agents doing business in Wisconsin are licensed by the Insurance Commissioner's Office. To find out if an agent is licensed in this state, you may call (608) 266-8699. To find out if a company is licensed, call (608) 267-9456 or you may call toll-free 1-800-236-8517.

For Your Protection

Information is available to consumers from a number of sources. These sources include public libraries, state insurance departments, consumer groups, and consumer publications. Financial strength and being able to meet financial obligations to policyholders is very important.

Independent organizations such as A.M. Best, Standard & Poor's, Moody's Investors Service, and others publish financial ratings. These rating organizations do not rate the quality of the company's policies, practices, agents, or service. You should consider checking with at least two organizations to evaluate a company's strength. If you want to check on an insurance company's financial stability, you can check the reference section of your public library for published ratings, call the Insurance Commissioner's Office, or check with your insurance agent.

Consumer Buying Tips

Finding adequate insurance coverage at a price you can afford is important. There are several items to keep in mind when buying almost any type of insurance.

- ✓ **Shop Around.** Insurance premiums can vary substantially from company to company so it usually pays to check with several companies before making a final choice. The Insurance Commissioner's Office provides some price information on auto, homeowner's, medigap, and long-term care insurance. Check the brochure list at the back of this booklet to find out what is available.
- ✓ **Buy Deductibles.** If you are buying home, health or auto insurance you can often save quite a bit of money by buying policies with deductibles. A deductible is the amount of the claim for which you are responsible. The higher the deductible, the lower your premium. With a deductible you pay for relatively small expenses out of pocket and leave major losses to the insurance company.
- ✓ **Shop for Discounts.** For example, auto insurers often have discounts for good students, those who insure more than one car, and those who drive their car infrequently. Some life and health insurers offer discounts for nonsmokers or those who practice healthy life styles.
- ✓ **Don't Pay Cash.** Always give an agent or insurer a check or a money order. This will be your proof of payment.
- ✓ **Take Advantage of "Free-Look" Periods.** Health and life insurance policies usually include a 10- or 30-day free-look period. This means that you can return the policy within the free-look time and get all your premium back.
- ✓ **Think Twice about Replacing a Life or Health Insurance Policy with a New One.** A new policy may include waiting periods or exclusions that are covered in your existing policy.
- ✓ **Read Your Policy Carefully—Particularly any Sections Relating to Exclusions and Limitations.** The time to understand your policy is before you have to make a claim.

- ✓ **File Claims Promptly.** The sooner you file claims, the sooner you will receive your payment. Insurers are required by law to pay claims within 30 days or to pay interest on the claim amount.

While the price you pay is important, buying the least expensive policy is not necessarily a good idea. Insurance that sounds too good to be true probably is too good to be true. Then again, looking only at benefits could result in paying a higher than necessary premium. You should consider all of the following when choosing a company and a policy:

- ◆ Premium
- ◆ Benefits, including any coverage exclusions or limits
- ◆ Service (what's involved in making a claim?)
- ◆ Renewability (how easily can you be canceled?)
- ◆ Financial strength and reliability of the company
- ◆ Company management philosophy

Problems with Insurance?

If you are having a problem with your insurance, you should first check with your agent or with the company that sold you the policy. If you do not get satisfactory answers from the agent or company, contact the Insurance Commissioner's Office. A complaint form is included in the back of this booklet. Make sure you have included detailed information about your insurance problem. The more complete and accurate this information is, the more likely it is that your problem can be resolved. Be sure that you have included the correct name of the insurance company from which you bought the policy. Many companies have very similar names. Listing the wrong name may delay the investigation of your complaint.

The Insurance Commissioner's Office investigates complaints to determine if any insurance laws have been violated. If so, the office may take action against the agent or company involved. These actions include imposing fines or suspending or revoking licenses.

The office publishes complaint summaries each year listing those companies that have received the most complaints. This is one way consumers have of judging the service given by insurance companies. For more information, call the Insurance Commissioner's Office at (608) 266-0103 or 1-800-236-8517 and request a copy of *Insurance Complaints and Administrative Actions* (http://oci.wi.gov/pub_list/pi-030.htm).